

**FIRST 5 PLACER
CHILDREN AND FAMILIES COMMISSION
(A Component Unit of the
County of Placer, California)**

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2006**

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
FOR THE YEAR ENDED JUNE 30, 2006**

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Gilbert Associates, Inc.
CPAs and Advisors

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
First 5 Placer Children and Families Commission
Auburn, California**

We have audited the accompanying financial statements of the governmental activities and the major fund of the First 5 Placer Children and Families Commission (the Commission), a component unit of the County of Placer, as of and for the year ended June 30, 2006, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Commission, as of June 30, 2006, and the respective changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2006 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 and the budgetary comparison information on page 17 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Schedule of Expenses by Fund Source and Net Assets of CCFC Funds for First 5 Programs (the Schedule) as of and for the year ended June 30, 2006 as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC

October 6, 2006

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2006

On November 3, 1998, California voters approved Proposition 10 – the Children and Families First Act (Act). The Act imposed additional excise tax on cigarettes and tobacco related products to fund programs that promote, support, and improve the early development of children from prenatal through age five. The intent is for all California children to be healthy, to live in a healthy and supportive family environment, and to enter school ready to learn.

The Placer County (County) Board of Supervisors created the First 5 Placer Children and Families Commission (Commission) in 1999 under the provisions of the Act. The Commission consists of nine members appointed by the County Board of Supervisors. The Commission is a public entity legally separate and apart from the County, and is considered a component unit of the County due to the operational relationship between the Commission and the County.

As management of the Commission, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net assets*.

The *statement of activities* presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The government-wide financial statements can be found on pages 8 and 9 of this report.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2006

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. There were no differences for the year ended June 30, 2006.

The Commission adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the annual budget.

The fund financial statements can be found on pages 10 and 11 of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 12 – 16 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceed liabilities by \$9.02 million at the close of the most recent fiscal year. The most significant portion of the Commission's net assets is its cash and investments balance of \$8.9 million. This represents resources received from the State Commission from Proposition 10 taxes that have not been expended. Cash and investments are maintained in the County's cash and investment pool where interest earned on the Commission's balance is apportioned to the Commission. Another source of net assets also resides in the Commission's receivables due from the State Commission for Proposition 10 taxes in the amount of \$656,337. This receivable represents taxes that were remitted by the State but had not received by the Commission as of June 30, 2006. The Commission also reports accounts payable of \$566,374 representing payments due on grant service contracts that had not been paid at year-end.

The Commission's net assets increased by approximately \$843,000 for the year ended June 30, 2006. This increase is explained in the governmental fund analysis below and is primarily the result of revenues exceeding budgeted expectations coupled with expenditures being less than expected.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2006

Governmental Activities

The Commission does not have business-type activities and so the analysis presented above for the government-wide financial statements also represents an analysis of the Commission's governmental activities.

Financial Analysis of the Commission's Governmental Fund

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

First 5 Placer Children and Families Commission Statement of Net Assets (in thousands)

	<u>FY 2005/06</u>	<u>FY 2004/05</u>
Assets:		
Current assets	\$ <u>9,590</u>	\$ <u>9,194</u>
Total assets	<u>9,590</u>	<u>9,194</u>
 Liabilities:		
Current liabilities	<u>566</u>	<u>1,013</u>
Total liabilities	<u>566</u>	<u>1,013</u>
 Net Assets:		
Restricted	85	
Unrestricted	<u>8,939</u>	<u>8,181</u>
Total net assets	<u>\$ 9,024</u>	<u>\$ 8,181</u>

For the year-ended June 30, 2006, the Commission reported ending net assets of \$9.1 million, an increase of approximately \$843,000 from the prior year. This increase represents the amount of revenues in excess of expenses for the year ended June 30, 2006.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2006

First 5 Placer Children and Families Commission Statement of Activities (in thousands)

	<u>FY 2005/06</u>	<u>FY 2004/05</u>
Program Revenues:		
Operating grants and contributions	\$ 3,370	\$ 3,324
General Revenues:		
Investment earnings	241	180
Miscellaneous	<u>1</u>	<u>1</u>
Total revenues	<u>3,612</u>	<u>3,504</u>
 Program Expenses:		
Professional and specialized services	2,418	2,541
Other services and supplies	<u>351</u>	<u>309</u>
Total expenses	<u>2,769</u>	<u>2,850</u>
 Change in net assets	843	654
 Net assets, beginning of year	<u>8,181</u>	<u>7,527</u>
Net assets, end of year	<u>\$ 9,024</u>	<u>\$ 8,181</u>

For the year ended June 30, 2006, total revenue (see table above) consisting of Proposition 10 funds, investment earnings, and State Commission matching revenue increased \$108,000 from the prior year. This increase was due to an unanticipated increase in State Commission tobacco tax collected.

Total expenses decreased \$81 thousand from the prior fiscal year. This decrease was due in part to partners requesting a two-year funding cycle instead of a three-year cycle.

Fund Budgetary Highlight

Total revenues were over budget by 17% or \$512,000 while total expenditures were under budget by 15% or \$493,000, because of the Director's financial management practice of coordinating with partners and other community organizations for in-kind resources and promoting sustainability.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2006

Capital Assets and Debt Administration

Capital Assets and Debt Administration

At the end of the current fiscal year, the Commission did not have any capital assets or long-term obligations outstanding.

Economic Factors and Next Year's Budget

The Commission of Placer County is committed to focusing Proposition 10 funds on the purposes for which it is intended: To promote and sustain comprehensive, integrated programs and services that will help to nurture children 0-5 so that their young brains and bodies will develop appropriately.

The Commission views Proposition 10 as a mechanism to establish and fund a sustainable system of results-oriented early childhood development and family support services for the 0-5 population, not as just another funding source for programs. In that regard, in FY 2006/07 the Commission will focus on evaluating all funded programs to determine what is working or has promise to impact the health and well being of children. This information will be used to help evaluate the overall impact of Proposition 10 in Placer County.

Requests for Information

This financial report is designed to provide a general overview of the First 5 Placer Children and Families Commission finances for all those interested. Questions concerning, any of the information provided in this report or requests for additional financial information should be addressed to the First 5 Placer Children and Families Commission, 379 Nevada Street, Auburn, California, 95603.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Statement of Net Assets

June 30, 2006

Assets

Cash in County treasury	\$ 8,933,720
Due from other agencies	<u>656,337</u>

Total assets	<u>9,590,057</u>
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Liabilities

Accounts payable	<u>566,374</u>
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Net Assets

Restricted for grants	84,451
Unrestricted	<u>8,939,232</u>

Total net assets	<u><u>\$ 9,023,683</u></u>
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FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

**Statement of Activities
For the Year Ended June 30, 2006**

Program Expenses

Professional and specialized services	\$	2,418,407
Services and supplies		351,231
Total program expenses		<u>2,769,638</u>

Program Revenues

Operating grants and contributions:		
Proposition 10 apportionment		3,155,010
Proposition 10 school readiness		145,798
Proposition 10 retention incentive		53,337
Proposition 10 surplus money investment fund		<u>16,330</u>
Total program revenues		<u>3,370,475</u>
Net program revenue		<u>600,837</u>

General Revenues

Miscellaneous		1,371
Investment earnings		<u>240,430</u>
Total general revenues		<u>241,801</u>
Change in net assets		842,638
Net assets, beginning of year		<u>8,181,045</u>
Net assets, end of year	\$	<u><u>9,023,683</u></u>

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

**Balance Sheet - General Fund
June 30, 2006**

Assets

Cash in County treasury	\$	8,933,720
Due from other agencies		<u>656,337</u>
Total assets	\$	<u><u>9,590,057</u></u>

Liabilities and fund balance

Liabilities:

Accounts payable	\$	<u>566,374</u>
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Fund balance:

Reserved

Reserved for encumbrances		265,149
Reserved for grants		<u>84,451</u>
Total reserved fund balance		<u>349,600</u>

Unreserved

		<u>8,674,083</u>
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Total fund balance		<u>9,023,683</u>
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Total liabilities and fund balance	\$	<u><u>9,590,057</u></u>
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FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

**Statement of Revenues, Expenditures and
Changes in Fund Balance - General Fund
For the Year Ended June 30, 2006**

Revenues

Proposition 10 apportionment	\$	3,155,010
Proposition 10 school readiness		145,798
Proposition 10 retention incentive		53,337
Proposition 10 surplus money investment fund		16,330
Investment earnings		240,430
Miscellaneous		1,371
		<hr/>
Total revenues		3,612,276
		<hr/>

Expenditures

Professional and specialized services		2,418,407
Services and supplies		351,231
		<hr/>
Total expenditures		2,769,638
		<hr/>
Net change in fund balance		842,638
Fund balance, beginning of year		8,181,045
		<hr/>
Fund balance, end of year	\$	9,023,683
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FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements For the Year Ended June 30, 2006

Note 1: **Summary of Significant Accounting Policies**

A. Reporting Entity

The First 5 Placer Children and Families Commission (Commission) was established by the Placer County Board of Supervisors in 1999 under the provisions of the California Children and Families First Act of 1998 (Act). The Commission is a public entity legally separate and apart from the County of Placer (County). The purpose of the Commission is to develop, adopt, promote and implement early childhood development programs in the County consistent with the goals and objectives of the Act. The Commission's programs are funded by taxes levied by the State of California on tobacco products.

The Commission is administered by a governing board of nine members, which are appointed by the County Board of Supervisors. The composition of Commission membership is guided by Health and Safety Code Section 130140 (A). Commissioners serve three-year terms. No member may serve more than two consecutive three-year terms. The County Board of Supervisors may remove any Commissioner at any time. Since the County Board of Supervisors can impose their will on the Commission; the Commission is considered a component unit of the County.

The Commission includes all activities (operations of its administrative staff and commission officers) considered to be a part of the Commission. The Commission reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to determine whether the Commission is financially accountable for other entities. The Commission has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the financial statements.

Upon termination of the Commission, all assets of the Commission shall be returned to the State of California. The liabilities of the Commission shall not become liabilities of the County upon either termination of the Commission or the liquidation or disposition of the Commission's remaining assets.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements For the Year Ended June 30, 2006

Note 1: **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation and Accounting

Government-Wide Statements

The statement of net assets and statement of activities display information about the primary government (Commission). These statements include the financial activities of the overall Commission.

The statement of activities presents a comparison between direct expenses and program revenues for the Commission's governmental activity. Direct expenses are those that are specifically associated with the Commission. Program revenues include operating grants and contributions that are restricted to meeting the operational requirements of the Commission. Revenues that are not classified as program revenues, such as investment earnings, are presented instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

Fund Financial Statements

Separate financial statements are provided for the governmental fund. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. For this purpose, the Commission considers Proposition 10 tax revenues to be available if collected within 90 days after the end of the current period. All receivables are expected to be collected within the Commission's availability period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) value in exchange, include sales taxes, grants, entitlements and donations. On the modified accrual basis, revenues from sales taxes are recognized when the underlying transactions take place and have met the availability criteria. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements For the Year Ended June 30, 2006

Note 1: **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation and Accounting (continued)

Fund Financial Statements

The General Fund is the Commission's primary operating fund and its only major fund. The General Fund accounts for all financial resources of the Commission.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

D. Reservations of Fund Balance

Reservations of fund balance are used to indicate that a portion of reported fund balance is (1) legally restricted to a specific use or (2) not available for appropriation or expenditure.

The Commission has reserved fund balances as follows:

Reserve for Encumbrances – A reserve is set aside for certain contractual obligations that the Commission has with its subrecipients in the operation of programmatic activities. These obligations in the current year do not constitute expenditures or liabilities, but once the subrecipient fulfills certain eligibility requirements, will represent expenditures or liabilities.

Reserve for Grants – A reserve set aside for unspent grant proceeds.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements For the Year Ended June 30, 2006

Note 2: **Cash and Investments**

Cash and investments shown on the statement of net assets and the balance sheet represent the Commission's share of the County Treasurer's cash and investment pool. The Commission involuntarily participates in the County Treasurer's cash and investment pool. California Government Code Section 53600, et. seq., and the County investment policy authorizes the following investments; local agency bonds, U.S. Treasury securities, U.S. agency securities, mortgage backed securities, collateralized obligations, asset backed securities, bankers acceptances, commercial paper, certificates of deposit, repurchase agreements, reverse repurchase agreements, corporate notes, money market mutual funds and the California Local Agency Investment Fund (LAIF). The County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. However, the value of the pool shares in the County, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the Commission's position in the pool. The Commission's investment in the County Treasurer as of June 30, 2006 is stated at fair value.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3*, requires additional disclosures about a government's deposit and investment risks that include credit risk, custodial credit risk, concentration of credit risk and interest rate risk. The Commission does not have an investment policy that addresses these specific types of risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The weighted average to maturity of the County's external investment pool as of June 30, 2006 was 510 days.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Commission's investment in the County external investment pool is not rated.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements For the Year Ended June 30, 2006

Note 2: **Cash and Investments** (continued)

Custodial Credit Risk and Concentration of Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Concentration of credit risk is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer. The Commission is not exposed to custodial credit or concentration of credit risk as it participates in the County's external investment pool, and therefore, is not subject to such risks.

Note 3: **State Litigation**

An action has been filed against the State of California and other public defendants, entitled *California Association of Tobacconists, Inc., et. Al v. State of California, et. al.* The Commission is not a party to the case; however, if the matter is decided adversely to the State and other public defendants, it could have materially adverse consequences for the finances of the Commission. The ultimate outcome of this matter cannot be determined at this time.

Note 4: **Related Party Transactions**

During the fiscal year ended June 30, 2006, the Commission paid the County, a related party, \$269,677 for accounting, legal and administrative services.

Note 5: **Risk Management**

The Commission is exposed to various risks of loss related to general liability and workers' compensation. Insurance for the Commission is secured through commercial lines for both general liability and workers' compensation coverage.

Note 6: **Contingent Liabilities**

The Commission receives funding from the State of California Proposition 10, the Children and Families First Act, to fund programs that promote, support, and improves the early development of children from prenatal through age five. These programs must be in compliance with applicable laws and may be subject to financial and compliance audits by the State. The amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time, although the Commission's management does not expect such amounts, if any, to be material.

Note 7: **Future Commitments**

The Commission has committed \$150,000 for state grant matching funds for each of the fiscal years ending June 30, 2007 and 2008.

REQUIRED SUPPLEMENTARY INFORMATION

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Proposition 10 apportionment	\$ 2,940,786	\$ 2,940,786	\$ 3,155,010	\$ 214,224
Proposition 10 school readiness	-	-	145,798	145,798
Proposition 10 retention incentive	-	-	53,337	53,337
Proposition 10 surplus money investment fund	-	-	16,330	16,330
Investment earnings	160,000	160,000	240,430	80,430
Miscellaneous	-	-	1,371	1,371
Total revenues	<u>3,100,786</u>	<u>3,100,786</u>	<u>3,612,276</u>	<u>511,490</u>
Expenditures				
Professional and specialized services	2,483,265	2,818,325	2,418,407	399,918
Services and supplies	443,943	443,943	351,231	92,712
Total expenditures	<u>2,927,208</u>	<u>3,262,268</u>	<u>2,769,638</u>	<u>492,630</u>
Net change in fund balance	<u>\$ 173,578</u>	<u>\$ (161,482)</u>	842,638	<u>\$ 1,004,120</u>
Fund balance, beginning of year			<u>8,181,045</u>	
Fund balance, end of year			<u>\$ 9,023,683</u>	

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Note to the Required Supplementary Information
For the Year Ended June 30, 2006

BUDGET AND BUDGETARY REPORTING

The Commission is required to prepare a budget each year based on estimates of revenues and expected expenditures. The budget is adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control is exercised at the budget unit (departmental) level. All changes to the budget during the year are reflected in these financial statements and require the approval of the governing board. All unencumbered annual appropriations lapse at the end of each fiscal year.

SUPPLEMENTARY INFORMATION

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Schedule of Expenses by Fund Source and Net Assets of CCFC Funds for First 5 Programs For the Year Ended June 30, 2006

	School Readiness		CARES	
	CCFC Program Funds	County and Other Local Funds	CCFC Program Funds	County and Other Local Funds
Revenues				
CCFC funds	\$ 145,798	\$ -	\$ 53,337	\$ -
Expenses				
Program expenses	121,850	121,850	95,957	206,590
Change in net assets	23,948		(42,620)	
Net assets - beginning of year, as restated	-		42,620	*
Net assets - end of year	\$ 23,948		\$ -	

Section 30131.4 of the California Tax & Revenue Code Certification

The Commission has certified that the supplant requirements stated in Section 30131.4 of the California Tax & Revenue Code have been met.

* Beginning net assets were restated due to an error in the prior year's report.

OTHER REPORT



Gilbert Associates, Inc.
CPAs and Advisors

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND THE CALIFORNIA
CHILDREN AND FAMILIES FIRST ACT OF 1998**

**Board of Directors
First 5 Placer Children and Families Commission
Auburn, California**

We have audited the financial statements of the governmental activities and the major fund of the First 5 Placer Children and Families Commission (the Commission), a component unit of the County of Placer, as of and for the year ended June 30, 2006, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller's General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the California Children and Families First Act of 1998.

This report is intended solely for the information and use of the Commission's management and Board of Directors, County Board of Supervisors, and the State Commission and is not intended to be and should not be used by anyone other than these specified parties.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC

October 6, 2006